

United States Senate

WASHINGTON, DC 20510

June 29, 2023

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G St NW
Washington, DC 20552

Dear Director Chopra:

We appreciate the Consumer Financial Protection Bureau's (CFPB) recent reports and ongoing work on medical debt and medical credit cards, and write to bring your attention to findings from our own recent investigation of Synchrony Financial's (Synchrony) and Wells Fargo & Company's (Wells Fargo) medical credit cards.¹ Our investigation revealed several problems with the use of these cards. We were particularly alarmed by the fact that (1) many patients are unable to pay off their balance during the cards' deferred interest promotion period; (2) medical credit cards appear to have higher delinquency rates than other cards, and (3) patients using these cards may be stuck with improper charges for care or services that they either did not receive or should have received for free or at a reduced price. In light of our findings and new reports documenting the potential threats to patients' finances from medical credit cards, we urge the CFPB to initiate rulemaking to eliminate deferred interest and address other consumer risks from medical credit cards.²

In December 2022, our offices opened an investigation into medical credit cards, and requested information from Synchrony and Wells Fargo, two of the largest banks offering these cards.³ Our investigation examined Synchrony's CareCredit (CareCredit) and Wells Fargo's Health Advantage (WFHA) products and uncovered new information about the prevalence of medical credit card use, and the risks that abuse or misuse of these cards can pose to consumers.

¹ Consumer Financial Protection Bureau, "CFPB Report Highlights Costly Credit Cards and Loans Pushed on Patients," May 4, 2023, press release, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-highlights-costly-credit-cards-and-loans-pushed-on-patients/>; Consumer Financial Protection Bureau, "Consumer Credit and the Removal of Medical Collections from Credit Reports," April 26, 2023, press release, <https://www.consumerfinance.gov/data-research/research-reports/consumer-credit-and-the-removal-of-medical-collections-from-credit-reports/>.

² National Consumer Law Center, "Health Care Plastic: The Risks of Medical Credit Cards," April Kuehnhoff, Chi Chi Wu April 27, 2023, <https://www.nclc.org/resources/health-care-plastic-the-risks-of-medical-credit-cards/>; Consumer Financial Protection Bureau, "Medical Credit Cards and Financing Plans," May 2023, https://files.consumerfinance.gov/f/documents/cfpb_medical-credit-cards-and-financing-plans_2023-05.pdf.

³ Office of Senator Elizabeth Warren, "Senators Warren, Markey Raise Concern over Misleading and Harmful Promotion of 'Medical Credit Cards' to Vulnerable Patients Facing High Costs," January 3, 2023, <https://www.warren.senate.gov/oversight/letters/senators-warren-markey-raise-concern-over-misleading-and-harmful-promotion-of-medical-credit-cards-to-vulnerable-patients-facing-high-costs>.

Millions of consumers are forced into circumstances in which medical credit cards can seem like the best or only option. Synchrony reported that the bank has more than 6.3 million active CareCredit accounts with an average balance of \$1,779 as of September 2022 – representing a total of more than \$11 billion in medical debt.⁴ The company has 260,000 enrolled providers.⁵ Our review of the information provided to us from Wells Fargo and Synchrony reached three key findings:

1. Many medical credit card users are unable to pay off their balance during the deferred interest promotional periods.

According to Synchrony, the majority of CareCredit transactions are subject to deferred interest or reduced rate promotions, but “approximately 23% of ... transactions were not repaid within the promotional period, and therefore, assessed interest.”⁶ For those patients who are assessed interest, the rates can be much higher than the rates paid by the average credit card user.⁷ According to Synchrony, borrowers who do not fully pay off their cards in the promotional period face an average interest rate of 26.44 percent,⁸ with the maximum interest rate as high as 29.99 percent.⁹ By contrast, the average interest rate across all credit cards as of September 2022 was 16.27 percent.¹⁰ Similarly, nearly 20 percent of WFHA cardholders did not pay off their balance under the deferred interest promotion period and were subjected to a higher interest rate.¹¹

The promotional deferred interest rates these companies use can be alarmingly deceptive. For example, the National Consumer Law Center’s (NCLC) recent survey of consumer advocates revealed that 47 percent of respondents had clients who “were told that credit was 0% interest only to later be charged retroactive interest when the client failed to pay off the entire balance during the introductory 0% interest period.”¹² Nearly half of respondents also reported “that their clients did not understand the explanation of the deferred interest promotion.”¹³

2. Medical credit cards have higher delinquency rates than other financial products.

Synchrony and Wells Fargo further reported that borrowers using medical credit cards had higher delinquency rates than those of traditional credit cards. Synchrony’s data showed that

⁴ Letter from Alberto B. Casellas to Senators Warren, Markey, Sanders, Murphy, and Brown, January 26, 2023, p. 3, <https://www.warren.senate.gov/imo/media/doc/Casellas%20CareCredit%20Letter.pdf>.

⁵ *Id.*, p. 3.

⁶ *Id.*, p. 4.

⁷ Federal Reserve, “Consumer Credit – G.19,” February, 2023, <https://www.federalreserve.gov/releases/g19/current/g19.pdf>.

⁸ *Id.*, p. 3.

⁹ *Id.*, p. 3.

¹⁰ Federal Reserve, “Consumer Credit – G.19,” February, 2023, <https://www.federalreserve.gov/releases/g19/current/g19.pdf>.

¹¹ Letter from Brian Smith to Senator Warren, January 23, 2023, <https://www.warren.senate.gov/imo/media/doc/Wells%20Fargo%20Redacted%20Medical%20Credit%20Card%20Response.pdf>.

¹² National Consumer Law Center, “Health Care Plastic: The Risks of Medical Credit Cards,” April Kuehnhoff, Chi Chi Wu, April 27, 2023, p. 22, https://www.nclc.org/wp-content/uploads/2023/04/Report_Health-Care-Plastic.pdf.

¹³ *Id.*

3.28 percent of outstanding balances were delinquent in September 2022,¹⁴ compared to 2.09 percent for all credit card holders.¹⁵ While Synchrony markets CareCredit as an option that is “designed for your health and wellness needs,”¹⁶ medical credit cards may actually result in worse financial outcomes. Similarly, delinquency rates for WHFA users were one percentage point higher than overall delinquency rates for Wells Fargo customers.¹⁷

3. Medical credit card users may be faced with improper charges for care or services that they either did not receive or should have received for free or at a reduced price.

As CFPB’s May 2023 report explains medical credit card companies’ contract with health care providers, some of whom may improperly bill patients for care.¹⁸ Of the over 300 hospitals that partner with CareCredit,¹⁹ our review indicated that nearly 70 percent were nonprofit hospitals and health systems,²⁰ despite nonprofit hospitals making up about 60 percent of hospitals nationwide.²¹ While nonprofit hospitals are required to offer free or discounted care to qualifying patients, recent reporting has revealed that some have taken aggressive actions to collect outstanding charges against patients who may not be required to pay.²²

Consumers who use Synchrony’s CareCredit card have little protection from these abusive practices. Synchrony informed us that “the CareCredit program is designed to operate alongside (and not part of or in lieu of) such system’s existing assistance programs,” and clarified that they “do not have a role in determining which patients a hospital bills or how much they are billed for particular components of their care.”²³ In an NCLC survey of consumer advocates, nearly two-

¹⁴ Letter from Alberto B. Casellas to Senators Warren, Markey, Sanders, Murphy, and Brown, January 26, 2023, <https://www.warren.senate.gov/imo/media/doc/Casellas%20CareCredit%20Letter.pdf>.

¹⁵ Federal Reserve Bank of St. Louis, Delinquency Rate on Credit Card Loans, All Commercial Banks,” <https://fred.stlouisfed.org/series/DRCLACBS#0>.

¹⁶ CareCredit, “CareCredit vs General Purpose Credit Cards: How CareCredit is Different?” <https://www.carecredit.com/howcarecreditworks/prospective/>.

¹⁷ Letter from Brian Smith to Senator Warren, January 23, 2023, <https://www.warren.senate.gov/imo/media/doc/Wells%20Fargo%20Redacted%20Medical%20Credit%20Card%20Response.pdf>.

¹⁸ Consumer Financial Protection Bureau, “Medical Credit Cards and Financing Plans,” May 2023, p. 10, 17, https://files.consumerfinance.gov/f/documents/cfpb_medical-credit-cards-and-financing-plans_2023-05.pdf.

¹⁹ Letter from Alberto B. Casellas to Senators Warren, Markey, Sanders, Murphy, and Brown, January 26, 2023, p. 5, <https://www.warren.senate.gov/imo/media/doc/Casellas%20CareCredit%20Letter.pdf>; Consumer Financial Protection Bureau, “Medical Credit Cards and Financing Plans,” May 2023, p. 10, https://files.consumerfinance.gov/f/documents/cfpb_medical-credit-cards-and-financing-plans_2023-05.pdf.

²⁰ Based on data analyzed by the Office of Senator Warren [On File with the Office of Senator Elizabeth Warren].

²¹ Letter from Synchrony Financial to Office of Senator Elizabeth Warren, [link]; Kaiser Family Foundation, “The Estimated Value of Tax Exemption for Nonprofit Hospitals Was About \$28 Billion in 2020,” Jamie Godwin, Zachary Levinson, and Scott Hulver, March 14, 2023, <https://www.kff.org/health-costs/issue-brief/the-estimated-value-of-tax-exemption-for-nonprofit-hospitals-was-about-28-billion-in-2020/>.

²² Kaiser Family Foundation Health News, “How Banks and Private Equity Cash In When Patients Can’t Pay Their Medical Bills,” Noam N. Levey and Aneri Pattani, November 17, 2022, <https://kffhealthnews.org/news/article/how-banks-and-private-equity-cash-in-when-patients-cant-pay-their-medical-bills/>; Office of Senator Elizabeth Warren, “Warren, Wyden Call Out McKinsey on its Role Directing Nonprofit Hospitals’ Exploitation of Vulnerable Patients,” press release, February 21, 2023, <https://www.warren.senate.gov/oversight/letters/warren-wyden-call-out-mckinsey-on-its-role-directing-nonprofit-hospitals-exploitation-of-vulnerable-patients>.

²³ Letter from Synchrony Financial to Office of Senator Elizabeth Warren, March 1, 2023, <https://www.warren.senate.gov/imo/media/doc/Response%20to%20Staff%20Questions.pdf>.

thirds of respondents responded that “their clients were not screened for or informed of financial assistance before being signed up for a medical credit card.”²⁴ And after a patient has used a medical credit card to pay their medical bill, they may be unable to challenge billing errors or qualify for a payment adjustment.²⁵

This problem is not limited to individuals who may qualify for charity care. In other cases, individuals may be enrolled in a medical credit card for services that would have been covered by insurance, including Medicaid. In the same NCLC survey, 44 percent of respondents reported that they had clients whose accounts were not submitted to insurance before being signed up for a medical credit card, and 21 percent of respondents specifically had clients who were offered medical credit cards even though they had Medicaid coverage.²⁶

We are also concerned by the prevalence of medical billing errors, which may put patients on the hook for charges they do not owe. According to one expert “medical bill errors are surprisingly common”²⁷ and some estimates have shown that the error rate could be as high as 80 percent.²⁸ In one case, a patient received a \$7,000 charge for a procedure that was never performed. In another, a hospital billed the wrong patient for care.²⁹ Despite the high potential for errors, Synchrony’s unwillingness to put procedures in place to protect patients from inaccurate bills is deeply concerning.

Lastly, providers that are found to mislead patients should be identified and held accountable. In response to our questions, Synchrony noted that about only about 0.2 percent or 550 contracts within a two-year period had been terminated. The company also claimed to monitor providers for “anti-consumer behavior, including through metrics such as disputes and chargebacks, as well as through other types of complaints.”³⁰ However, Synchrony did not disclose the number of complaints it receives or how the company determines whether to take corrective action against merchants that the company deems to be “high risk.”³¹ The small percentage of providers that

²⁴ National Consumer Law Center, “Health Care Plastic: The Risks of Medical Credit Cards,” April Kuehnhoff, Chi Chi Wu, April 27, 2023, p. 19, <https://www.nclc.org/resources/health-care-plastic-the-risks-of-medical-credit-cards/>.

²⁵ Consumer Financial Protection Bureau, “What should I know about medical credit cards and payment plans for medical bills?” May 8, 2023, <https://www.consumerfinance.gov/ask-cfpb/what-should-i-know-about-medical-credit-cards-and-payment-plans-for-medical-bills-en-1827/>.

²⁶ National Consumer Law Center, “Health Care Plastic: The Risks of Medical Credit Cards,” April Kuehnhoff, Chi Chi Wu, April 27, 2023, pp. 17-18, https://www.nclc.org/wp-content/uploads/2023/04/Report_Health-Care-Plastic.pdf.

²⁷ NPR, “Medical bills can cause a financial crisis. Here's how to negotiate them,” Marielle Segarra, Sylvie Douglass, Iman Young, and Christina Shaman, <https://www.npr.org/2023/03/24/1165953653/medical-bills-debt-negotiation-forgiveness>.

²⁸ NBC News, “It's Time to Get a Second Opinion Before Paying That Medical Bill,” Kelli B. Grant, March 27, 2016 <https://www.nbcnews.com/business/consumer/it-s-time-get-second-opinion-paying-medical-bill-n545626>.

²⁹ NPR, “The case of the two Grace Elliotts: a medical bill mystery,” Mark Kreidler, December 21, 2022, <https://www.npr.org/sections/health-shots/2022/12/21/1142344716/the-case-of-the-two-grace-elliotts-a-medical-bill-mystery>; NBC News, “A billing expert investigated her husband's ER bill. She was able to knock thousands off the charge.” Bram Sable-Smith, <https://www.nbcnews.com/health/health-news/billing-expert-investigated-husbands-er-bill-was-able-knock-thousands-rcna53683>.

³⁰ Letter from Synchrony Financial to Office of Senator Elizabeth Warren, March 1, 2023, <https://www.warren.senate.gov/imo/media/doc/Response%20to%20Staff%20Questions.pdf>.

³¹ *Id.*

have been terminated by Synchrony for abusive behavior are a key indicator that more CFPB oversight is needed in this area.

Conclusion

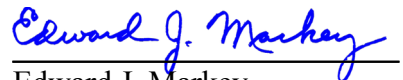
Our investigation shows that medical credit cards can pose a significant threat to patient's finances. We urge CFPB to take action to curb these harms, including by initiating a rulemaking process to eliminate deferred interest in medical credit cards to protect consumers, a step that over 60 organizations called on CFPB to take earlier this year.³² Further, the CFPB should explore ways to require companies offering medical credit cards to verify that all financial assistance and insurance options have been exhausted before approving an application to open a medical credit card account or offer any other medical financial product to patients.

Thank you for your attention to this important matter.

Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator



Bernard Sanders
United States Senator

³² Letter from Community Catalyst to CFPB Director Rohit Chopra, March 6, 2023.
<https://communitycatalyst.org/wp-content/uploads/2023/03/Medical-Debt-Sign-On-Letter-to-CFPB-March-6.pdf>.